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## OCTOBER IN WESTERN EUROPE

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My trip was partly on Rand, partly on RFF business, and was intended to collect information on political developments in Western Europe and in US-European relations, and on responses of governments and companies to the oil revolution.

### INTRODUCTION

October 1974 was not a crisis month in Europe, but I found nearly everywhere a sense of shaken foundations of governments, financial systems, intergovernmental and industrial relations. Many people I talked to voiced forebodings of severe troubles to come to Western societies, economic calamities (strikes, unemployment, further inflation), and political instability. There was no talk of war or civil war (I wasn't in Southern Europe or the Middle East, except Turkey), but fear of violent developments hung over the scene. The nearest I came to hearing talk of war was in the question I was asked here and there, particularly in France: Would the Americans use force against the wielders of the oil weapon?

I visited Bonn for talks with government people (the chancellor, the economics and finance ministers, foreign office and defense department people, deputies, professional observers); Hamburg for talks with oil company people; London and Paris for similar talks, generally at lower levels in government, IISS and Chatham House, Centre d'Etudes de Political Etrangère, and subsidiaries of major European and American oil companies; Brussels for talks with U.S.-NATO and European Commission personnel; The Hague for talks with Dutch foreign office and economics ministry people, a couple of parliamentarians, oil company people; and Vienna for a visit to OPEC's secretariat and the U.S. delegation to MBFR; and U.S. embassies everywhere. I shall give you a few vignettes of these talks later on.

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While the themes I pursued were the same in most places -- the experiences with and prospects of inter-European and Atlantic relations, the responses to the wealth and power grab by the oil cartel and the Arab alliance, as they appeared from the several capitals -- the domestic preoccupations of these capitals intruded necessarily. Different and peculiar as they were, they were linked to the network of impasses, resentments and fears which people expressed while talking about my themes: a more than two week long mail strike in France, a spate of terrorism in Holland and England, two-digit price inflation, rising unemployment, strike threats, and trade worries everywhere, albeit to different degrees.

But one could not say that disaster had arrived. Unemployment, while rising, was of the order of 3 percent in Germany, France, and in Britain (as against close to 6 percent in the United States). Foreign workers were no longer being admitted, but far from being forced out in droves (in Germany, they get rather liberal unemployment compensation). Salaries, retirement and social security incomes were safely indexed to the cost of living, to the displeasure of economic statesmen -- and my private envy. Gasoline and other energy materials were being consumed freely, and in France again in excess of last year. Only France was beginning to administer restrictions of oil, notably fuel oil, consumption with a view to holding the foreign exchange outlay on oil to a predetermined annual total. In the European Community, despite all the frustrations of the Greater Europe builders in and out of the Brussels bureaucracy, practical issues were being disposed of pragmatically, thanks in good measure to the more self-confident, quid-pro-quo minded posture of the present Bonn government. But I found a pervasive sense, particularly among the elite, that things would get worse soon, that real incomes would stop rising as expected and demanded, even fall, that the battle over shares in a shrinking income aggregate would get fierce, that the European Community would fall apart, and so on.



OVERALL ASSESSMENT

An overall assessment of the outlook among articulate Western Europeans tends to make three things stand out:

- (1) Economic growth with one-digit inflation made Western societies function rather smoothly in the past decades, with both phenomena doing as much to aggravate as to mitigate social adjustment problems. But stagnation with two-digit inflation will make the societies ungovernable. No one seems to know how to get back to the good old growth formula; those who come closest to it (the Germans) fear to be thrown off it by those in greatest disarray (the British, Italians, and French). The old formula, incidentally, may have had something to do with things getting out of hand.
- (2) For instance, by leading up to the oil revolution, i.e., the assertion of the power of those small third-world countries on whose benevolence the industrial West had made itself dependent by its thirst for oil. Western societies now stand in awe before the enormous transfer of claims to wealth and power which the oil cartel in combination with the anti-imperialists of Arab and other nationalities are foisting on the industrial states. The West was seen as being in no shape, ideologically and materially, to cope with this onslaught on its political and economic system, its international authority, its self-respect. Political and financial leaders and managers appeared to be outdoing each other in offering their services, know-how, assets to the assailants if these would only let them serve and be "reasonable." It struck me as a kind of massive "Finlandization" in a new context. The polite word for it was "recycling."
- (3) The political frameworks of the West -- democratic states, the European Community, the Atlantic Alliance -- all appeared inadequate in the face of the challenges presently evident,

like Maginot lines about to be outflanked and taken from the rear. Each of these frameworks tended to be declared the last hope in critical conversations that dealt with the other, European Union when you talked about relations with America -- but not when you inspected the limitations and malfunctions of the European Concert. When you inspected the latter, America might be declared the last hope. And when you inspected the goings-on in both the European and the Atlantic frameworks, you ended up by hearing: "Let us at least rely on what we can do in our national frame." In a pinch we -- Germans, Norwegians, etc. -- can at least rely on that frame -- or can we? Hope began where analysis ended.

This added up to a kind of Weltuntergangstimmung, a sense of a world order coming to its end, among the European elite. It was hard to find hidden reserves of strength. But it was not hard to find people who went about their daily business and pleasures in good spirits or with a stiff upper lip. For the individual, it matters that the sun still rises every day. Only in this cold and rainy European October, one could not always be sure that it still did.

#### VIGNETTES OF TALKS

##### (1) European Hopefuls in London

London would seem a strange place to hear hopeful sounds about the unity of Europe; for after the British elite, led by Heath, had grasped the Common Market as the last guideline out of economic morass, and the Concert of West European states as the most promising arena for British political talent, Labour put Britain's "joining of Europe" in question again. The Wilson government is now "renegotiating" the compact, which means to its right wing exacting financial and commercial benefits from the Germans and the French under the threat of leaving the combination; and to the left wing, moving as quickly as possible out of the combination into what would seem to be

a less than splendid isolation. Elite hopes are above all that by the time the issue will be "put to the people," which the government is committed to do, enough subsidies and other tangible benefits will have been won by the renegotiators from the continentals, and that in the meantime such uncomfortable issues as European defense union -- especially for the nuclear deterrents -- and transfers of final authority to supranational bodies will be kept out of sight. A leading British foreign office official said that he was spending 60 percent of his time "making renegotiation a success" (on the day of my interview, the continentals had granted Britain a sugar subsidy), and 40 percent on fighting Labour ministers who want it to fail.

But when British elite thinkers look beyond these practical concerns, visions of some political union of Western Europe, meaning also taking a collective distance to the United States, continue to fill their imagery. The gap between these visions and European reality is bridged by strange intellectual devices. "Transfers of sovereignty?" asked the same official, "Why, we are transferring sovereignty every day, e.g., when we agree on a sugar policy." He talked as if every time a government makes an agreement, it relinquishes sovereignty, i.e., its power to reopen the issue and to dispose over it anew. I asked how after years, or better, centuries, of making agreements, Britain could have any sovereignty left. Very little, he said, even the superpowers have little sovereignty today. And so it went while he was in the midst of renegotiating his government's solemn act of accession to the European Community and while all over Europe governments were doing their own thing, existing agreements and prior vows to the contrary notwithstanding.

At Chatham House, likewise, people were theorizing away the transfer of power issue. Component parts of the national governments, they said, interweave tightly in the European Community apparatus, and this transgovernmental bureaucratic tissue becomes a new actor in each national system in the place of elements of national bureaucracy. By and by the latter would be superseded, and the unity of national



government would wither away. While we could not agree on the validity of this image, we did agree that crises were a good test. Crises turn difficulties into security issues. For security issues, people turn to the authorities that correspond to their sense of political identity -- if they have any. In the recent oil crisis, the Chatham House people conceded, Europeans were forced back on to the national level. National governments had to act, and did acquit themselves not well but at least better than the European Community apparatus which was completely stopped by desolidarization. "The Community was too large to identify shared interests, too small for bargaining about such interests with others," which was a way of saying that in the oil crisis last fall, shared interests could only be found nationally, and bargaining had to be done in an Atlantic, they preferred to call it an OECD, context. That broader context, however, they were quick to point out, did not contain a broader identity of interests than that which could be expressed in such a specific, limited agreement as the International Energy or Oil Sharing Agreement which had just been published. Over a broad range, European and American interests were said to differ. Some day in the future, I was told, the Community would be the actor because national governments would have decayed sufficiently. To which my skeptical reply was, that I was far from sure that powers slipping out of the hands of European governments were ending up in Brussels. Did not some of these powers simply get lost? Also, did not Europe's genius seem to lie in weaving transnational links and fabrics, rather than in forming a supranational empire? Chatham House summed up: "Some time, European state formation will have to catch up with European transnationalism, or else state power in Western Europe will atrophy."

I should perhaps note here that the old mechanism is still alive by which someone will step forward with a surprising offer of a sacrifice of sovereignty when the disinterest of others in the matter or the state of calamity is such that the offer -- and the invitation to others to do likewise -- is most unlikely to be taken up. This was



the mechanism by which Winston Churchill offered Franco-British political union to the hapless government of conquered France in June 1940 -- by the way, on the urging of a General Charles de Gaulle then stationed in London. Somewhat in the same vein, President Giscard's government has recently surprised the Europeans by beginning to talk about desirable transfers of sovereignty in one form or another, thus breaking the French taboo on this "theological" issue. The others could hardly believe their ears, and some, notably the Germans, felt that at this time it was more important for Giscard to use the sovereignty he had to put French affairs in order, and for the British and Italians to do likewise, than for these governments to start wrangling about the direct election of a powerless European parliament, or an ambulant secretariat to accompany periodic gatherings of the heads of government. At least that appeared to be the prevailing view in the German chancellory and finance ministry, if not among some foreign office thinkers about whose view I shall have more to say below.

In Holland, incidentally, I found an adviser of the government charged with the task of suggesting ways in which the Dutch government might deal with the promise that the nine heads of government had made to each other in October 1972 to establish "European Union by 1980." This assignment implied the expectation, I presume, that the existence of such a union would not be self-evident at that time. And in Britain I was told that at the opening of the "renegotiation" talks, Labour's foreign minister Callaghan had asked his continental counterparts what they understood "Union by 1980" to mean. To his relief, no one had an answer.

## (2) Visions of U.S. Strength and Leadership

European views of U.S. power were, as you would expect, confused and ambivalent. My talks did not deal with the "strategic balance." The comments I got addressed themselves to a variety of aspects of strength. Above all, and particularly with the German chancellor, there was almost desperate curiosity about the functioning and the directions of the new administration in Washington. People were wondering about the working of the new White House, whether the principal secretaries

would stay, who had the ear of the president, which way the government would be going. Those who wanted contact didn't know with whom to make contact.

Only those who have a prefabricated image of the United States could pursue it with great certainty. This may be the image of a leading Dutch Atlanticist -- incidentally a former Laborite -- who believes the United States is the last hope for turning back the welfare state and bringing inflation under control while Europe, and his own country in particular, are believed to be drowning in socialism and hedonism. Or it may be the image of French opinion supplied by a French foreign officer thinker, to wit, that French public opinion is more anti-American than anti-Arab (witness Jobert's high opinion poll ratings in France after the Washington energy conference), and that "all French civil servants are hostile to any form of international cooperation under U.S. leadership." Under President Giscard, French anti-Americanism has lost its strident expressions in high places, but it continues nonetheless and there exists no significant counterweight to it in French politics. An Atlanticist like Lecanuet, so I was told, would be committing political suicide if he raised a disagreement with the anti-Americans in and behind the government to a coalition issue; but that opinion may presently be put to a test by the courageous act of Lecanuet's colleague, General Stehlin. He has dared to say that the Mirage is inferior to the American airplanes with which it is competing for some large European aircraft replacement orders, and thus unleashed a tempest of indignation among the assorted anti-Americans in French politics and industry. We shall see what will happen.

With very few exceptions, the articulate people on the French Left and Right tend to agree that the United States is a vicious giant, intent on exploiting the Europeans, keeping them from uniting in politics and in defense, and on achieving condominium with the Soviets over Europe. A spate of French books on the oil crisis treat it as an American (government and oil company) plot which uses Saudi Arabia to

bleed Europe white. The obvious counter is for France to woo the Saudis and other Arabs away from the Americans. The French wish they could do that jointly with Germany and Britain; but they don't let European solidarity stand in the way of individual efforts. On the contrary, if the others fail to take the French lead in foreign policy cooperation, as they did when France decided to recognize the Palestine Liberation Front, it may be all to the good because, so explained the Foreign Office man, it enables France to make up with political favors for its economic handicap vis-a-vis others. As so often before, France's tilting against the United States reveals divisions in European foreign policies.

Nevertheless, German foreign office thinkers are still very much concerned with turning the diversity in European foreign policies into demonstrations of unity. The idea of a European political union in statu nascendi is still very much alive among them, as well as the hope that the United States will treat the governments said to be committed to such union now as individual sovereigns and then as a collective sovereign, according to their convenience, and provide military protection now as a leading power in a reciprocal relationship with individually committed treaty partners and then as a "wing power" to a combination of states which cannot or will not accept a similar reciprocal relationship, again at the convenience of these states. These foreign office thinkers tend to welcome new opportunities for exhibiting a European group individuality and quasi-governmental status, such as the recent vague proposals of the French president appear to offer, rather more than opportunities for the development of joint economic and political positions with the United States, such as the Oil Sharing Agreement suggests, and which may be closer to the heart of the Federal Chancellor. It is perhaps a good example of how transnational bureaucratic linkage, in this instance among foreign office personnel, puts the unity of a country's foreign policy in question.

At IISS in London, I was told that after Vietnam and Watergate, the United States was moving to a new position of strength. But since its physical security no longer depended on Europe, and since it wanted



elbow room for superpower dealings, so the argument went, NATO had lost significance for the United States. NATO as a whole was in disarray and not reformable. The flanks were pulling away from the center. But could there not be a new allocation of tasks? Could not the United States shift some of its military resources in Europe from Central European tasks to the Northern and Southern flanks? Should not the European Community, the Germans, the British, and the French, take over greater military responsibilities in the Center? This, as you will imagine, made me ask many questions about how, who, with what? The only answer I got was that one should perhaps think about this matter and that it was only a rough idea. I was left with the feeling that the burden of the proposition lay in a desire to assure somehow an American intervention capacity in the Mediterranean in the absence of, and the European willingness to provide, European military intervention capacities in that area, given the obvious European interest in what may come to happen in and about troubled Italy, Greece, and the Iberian peninsula. When I followed this thought up by asking questions about European attitudes to American military activities in and toward the Mediterranean during the Yom Kippur War, I was told that the Europeans had not been as balky then as the American press had made them out to be.

The announcement of the U.S. intent to restructure the Seventh Army for greater instant combat power and perhaps to improve its geographic stationing pattern in this context had not come yet while I was over there. It is a useful reminder of who and what matters in providing for the military security of Western Europe and should give food for thought to those who despair in the adaptability of the Western Alliance and discount the American interest in it. It also stands in wholesome contrast to the European tendency to reduce defense policy in practice to matters of arms production and exports, budget and manpower reductions, a tendency which only the Germans have lately shown signs of counteracting. Between the United States and Germany at least, the Western defense alliance shows some signs of

vitality, something that can hardly be said for its purely European framework, bilateral and multilateral, including the Euro-Group.

(3) On Dealing With the Arabs

Let me finally supply two vignettes on the subject of responding to the shift of power to oil producers.

The first pertains to a talk I had with the chief executive of a major oil company, Europe's biggest, in The Hague. I asked him how Royal Dutch Shell envisaged the sequel to the old order of world oil management and finance. He replied that it used to have money, know-how, and business acumen. The first was now transitory, dwarfed by producers' wealth, and being squeezed upstream and even downstream (although the companies are trying hard to augment their profitability in the latter direction or by moving away from oil). But know-how and acumen, he said, we still have aplenty. We will use it or we will sell it or lease it to producer governments, new ones if not old ones. We shall bend, he said, work with them and for them, for at least as long as we depend on their oil, and that means for a generation. By and large, the company will meet the conditions producer regimes impose on it for as long as there is hope for money to be made. This is a simple criterion, at least for a business. Exactly what its application will mean is hard to tell in a general way, in particular what conflicts of interest with consumer country governments its application may lead to. This depends of course on whether these governments determine what their interests are and how to pursue them, directly and through the companies that are theoretically at least under their jurisdiction.

Royal Dutch Shell will bend to the Arabs and others who have control of crude oil, but will it not be simply taken over by them? This is unlikely, I was told. They may, of course, buy shares of the company, gobs of them if they like. But they cannot buy control. The special shares needed to vote for members of the Board of Directors are held by the directors exclusively, not as their personal property but as a function of their being active members of the Board of Directors. So

these directors vote in new directors, and as they do, the potent shares are passed on from the old ones to the new ones. I don't know how many other companies have, or are allowed to have, a similar fool-proof system of management self-perpetuation.

If I may digress downstream for a moment, the Shell group appears to be in the forefront of a tendency to "nationalize" the daughter oil companies, in the sense of making them fit themselves as much as possible into the national environment of the countries they operate in, perhaps even engage in international activities from there out, particularly upstream, and to trade with the parent company somewhat at arms length, e.g., buy an increasing amount of their crude from their parties. They thus expect to reap benefits from the national governments, get treatment as domestic companies, perhaps a share of subsidies and preferential deals. Deutsche Shell -- even at London headquarters it is called by this name -- prospects in Thailand and other places. Together with BP Germany, it tagged along with the German industry consortium, organized by the Economic Ministry in Bonn, which went to Iran to negotiate a big oil refinery project and a large natural gas delivery project via the USSR to Germany. BP Germany, which last year still got all of its crude through BP channels, will get only 90 percent this year from the mother and expects that percentage to decline to 75 percent. The daughters of American mother companies appear to be less forward on this road to local coloration, perhaps for a variety of reasons. The facilities offered for this kind of assimilation of international daughters to the status of national companies are, of course, not the same in all consumer countries. In Germany they are more favorable than in France.

Finally, let me say a word on European political approaches to the Arabs. Besides France, which has been most eager and daring in trying to work out government-to-government deals with Arab oil countries on oil supplies, industrial and arms exports and finances, Italy and Germany are seeking various kinds of economic cooperation with them. With French coaxing, a collective West European Community dialog



with the Arab states, oil producers and nonproducers, has been set in motion aiming at the creation of joint commissions and an international conference. The subjects of the projected dialog are not settled; should they include or exclude oil, should they include foreign policy commitments? As far as I could find out, governments in London, Bonn, and The Hague looked with misgivings on this venture into which they had let themselves be led by the French in the name of a joint foreign policy venture, another one-voice exercise. They tended to see at least as much trouble as benefits in it, including notably trouble with the United States on the pattern of last spring's.

Everyone seems to be aware of the strategic objective of some or all on the Arab side to use collective dealings with the European group of states as a means to nail the latter down on positions separate from those of the United States and in any event opposed to Israel. The inducement held out to the Europeans would be special financial, trading, and perhaps oil supply arrangements. One can well imagine that people in various European governments are tempted to explore such possibilities, particularly in countries whose position in international finance is most vulnerable, e.g., in Italy. For the latter-day Daladiers and Chamberlains, Israel is the Czechoslovakia of the 1970s, an old friend whose sacrifice may perhaps still the appetite of a powerful opponent.

I found the clearest repudiation of this tendency in my talk with the German Federal Chancellor. When I asked Helmut Schmidt about the Arab strategy of using Euro-Arab talks to produce a joint European position favoring Arab claims on Israel, he said he was quite aware of it, but that it was his firm view that Israel was an outpost of the Atlantic Alliance. This, he said, was his political and strategic judgment and not an expression of sentimentality or German guilt feelings toward the Jews. The position of his government with regard to the Middle East conflict would reflect this viewpoint.

To my knowledge, Schmidt has not expressed this view as forcefully in public as he did in this private conversation; but it was

apparent that he wanted to convey it to people to whom I would be reporting. It suggested to me that the West German government might be somewhat more willing to risk the displeasure of Arab rulers in future Middle East crises than most other West Europeans are. This may be in part a consequence of its greater political and financial solidity and its indispensability to its European allies in their present difficulties, in part to its greater determination not to be driven into opposition to the United States. In any event, this was the closest I came in Europe this October to hearing a note of Churchillian fortitude on behalf of the West.

#### CONCLUSION

In conclusion, I would say that Western Europe feels shaken today by strong winds coming from without and within, but for the time being not from the Soviet East. It is not shaping up as a political entity, but as a particularly densely woven tissue of transnational relations (governmental and otherwise), within a worldwide fabric of such relations that shows a much airier weave almost everywhere else. This is Europe's strength and weakness. Transnational Europe bends with the winds; and its several political bodies bend in somewhat different directions. Almost all look on the United States with a mixture of apprehension and resentment, the mixture differing from one place to the next. But they all know that the fate of their present social structures somehow depends on what kind of wind is blowing from the United States. This, and not European Union, represents power to them. The big question for them is only whether Europe's security lies in American-based power or in the powerlessness of a transnational civilization that is open and serviceable to all, and that sees itself as no one's enemy and no one's ally.